

July 21, 2005

Dear Valued Member:

Blue Cross Blue Shield of Delaware (BCBSD) is committed to providing you with information relevant to your health benefits coverage. For that reason, we want to advise you of the status of our contract with the Alfred I. duPont Hospital for Children (duPont Hospital) and the Nemours Physicians group, of the Florida-based Nemours Foundation (Nemours).

We have been notified by Nemours that as of August 28, 2005, it will terminate its contract with BCBSD for both hospital and physician services. Our intent is to continue to negotiate in good faith toward a new contract with Nemours that is fair to the hospital and physicians as well as our members.

We have enjoyed a strong relationship with duPont Hospital and the Nemours Physicians for many years and recognize that our members benefit from the services of the physicians and the hospital. We also recognize our role as an advocate on behalf of our employer groups and members to help hold down health care costs.

In the event that we are unable to reach an agreement with Nemours prior to the termination date, we would like to share the following information with you:

- If your child's pediatrician is in the Nemours Physicians group, it is recommended that you begin looking for a new pediatrician or family physician who participates in the BCBSD network so that you can continue receiving care at the lowest out-of-pocket cost to you. All of the doctors in our network are credentialed by a BCBSD committee, which includes a local pediatrician. Additionally, these doctors are held to high levels of performance to ensure that the care you receive is consistent with national standards. For your convenience, we have enclosed a list of pediatricians and family physicians in the BCBSD network.
- This will not change your ability to seek emergency medical care after August 28 from either duPont Hospital or a Nemours physician when appropriate. In the case of an emergency, we recommend that you proceed to the nearest emergency provider.
- BCBSD has developed contingency plans for patients currently receiving active treatment through duPont Hospital and/or a Nemours physician in the event an agreement is not reached by August 28. We will communicate this information directly to those members who are impacted.
- BCBSD is committed to ensuring that your child continues to receive high quality care for his/her specific needs. In most instances involving children who were receiving non-routine pediatric care at duPont Hospital, our medical management department will be authorizing requests to use facilities in the nationwide Blue Cross Blue Shield network, including access to other highly respected facilities, such as The Children's Hospital of Philadelphia (CHOP) or Johns Hopkins Hospital. Benefits will be applied at your in-network level.

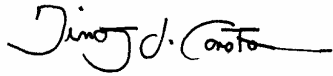
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- BCBSD members will continue to have access to the pediatric services presently available at other hospitals in our network including: Christiana Care, Nanticoke Memorial Hospital, Beebe Medical Center, Bayhealth Medical Center, Union Hospital of Cecil County and Peninsula Regional Medical Center. Additionally, those BCBSD members with PPO, EPO or Indemnity coverage will have access to the national BlueCard® network, which has more than 600,000 doctors and over 5,000 hospitals nationwide, and includes highly respected children's hospitals throughout the region and country.

Enclosed for your review is a member *Q&A* about the negotiations and the possible impact they may have on you. As noted above, it is our intent to work collaboratively with Nemours to negotiate a new contract.

We will continue to keep you informed. If you have any questions, please call the Customer Service Department at **302.429.0260** or **800.633.2563**. You may also visit us online at **bcbsde.com** and click on *Nemours Contract Negotiation Status* to see updates.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Constantine". The signature is fluid and cursive, with a long horizontal stroke at the end.

Timothy J. Constantine
President

Enclosures